R E P O R T R E S U M E S

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BUSINESS PROCEDURES. AGRICULTURAL SUPPLY - SALES AND SERVICE OCCUPATIONS, MODULE NUMBER 6.

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THE PURPOSE OF THIS MODULE, ONE OF A SERIES DEVELOPED TO ASSIST TEACHERS TO TRAIN HIGH SCHOOL STUDENTS FOR AGRICULTURAL SUPPLY OCCUPATIONS, IS TO DEVELOP ABILITY TO USE COMMON AGRICULTURAL BUSINESS PROCEDURES. IT WAS DEVELOPED BY A NATIONAL TASK FORCE ON THE BASIS OF DATA FROM STATE STUDIES. SECTIONS ARE (1) RECORDS IN BUSINESS, (2) SALES TICKETS AND CHANGE MAKING, (3) CREDIT IN BUSINESS, (4) DETERMINING SELLING PRICE, (5) BUSINESS FORMS FOR ORDERING AND RECEIVING, (6) TAKING INVENTORY OF STOCK, (7) RECEIVING AND STORING MERCHANDISE, AND (8) STOCK CONTROL POLICIES. EACH SECTION CONTAINS SUBJECT MATTER CONTENT, TEACHING-LEARNING ACTIVITIES, INSTRUCTIONAL MATERIAL, AND REFERENCES. SUGGESTIONS FOR INTRODUCING THE MODULE AND EVALUATING OUTCOMES ARE INCLUDED. TEACHERS WITH A BACKGROUND IN AGRICULTURAL SUPPLY MAY USE THE MATERIAL TO PLAN A UNIT FOR HIGH SCHOOL STUDENTS PLANNING TO ENTER THE FIELD. IT IS DESIGNED FOR 30 HOURS OF CLASSROOM INSTRUCTION AND 30 HOURS OF OCCUPATIONAL EXPERIENCE. THIS DOCUMENT IS AVAILABLE FOR A LIMITED PERIOD AS PART OF A SET (VT 000 632 - 000 644) FOR $7.00 FROM THE CENTER FOR VOCATIONAL AND TECHNICAL EDUCATION, THE OHIO STATE UNIVERSITY, 980 KINNEAR ROAD, COLUMBUS, OHIO 43212. (JM)

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BUSINESS PROCEDURES

One of Twelve Modules in the Course Preparing for Entry in

AGRICULTURAL SUPPLY - SALES AND SERVICE OCCUPATIONS

Module No. 6

The Center for Research and Leadership Development

in Vocational and Technical Education

The Ohio State University
980 Kinnear Road
Columbus, Ohio, 43212

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Geographic Adaptability Nationwide
Uses of Material Instructor course planning
Users of Material Teachers

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Teacher Competency Background in agricultural supply--sales and services
Student Selection Criteria High school level, goal in agricultural supply--in the area of sales or service.
Time Allotment Estimated time listed in module. (P)

Supplemental Media --
Necessary x
Desirable
(Check Which)

Describe Suggested references given in module. (P)

Source (agency)
(address)

BUSINESS PROCEDURES

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BUSINESS PROCEDURES

Major Teaching Objective

To develop in students the effective ability to use the ordinary business procedures common to agricultural businesses

Suggested Time Allotments

At school		
Class instruction	30 hours	
Laboratory experience	0 hours	
Total at school		30 hours
Occupational experience		30 hours
Total for module		60 hours

Suggestions for Introducing the Module

There are two almost diametrically opposed approaches to introducing the student to the use of business procedures in the agricultural supply field. One approach is to begin by explaining the sales slip with which every student is reasonably familiar and proceed to the operating statement and balance sheet used by management. This follows the accepted principle of going from the known or familiar to the unknown or unfamiliar.

The other approach is to start with the business forms and procedures which are new to the students, securing their interest at the outset. These unfamiliar procedures should then be treated briefly at first, relating them to the simpler procedures. They will be explained in detail later in the module. Though the latter approach is used here, the teacher may rearrange the teaching sequence of this module as he prefers.

Students who have had production courses in vocational agriculture will recognize the similarity between the business operating statement and the financial statement found in the supervised farming program record book. The teacher should capitalize on the students' record-keeping experiences in previous courses in order to promote further understanding of business forms and procedures.

Employees always have an interest in whether or not a business is making or losing money because this determines if there will be any money to pay salaries or wages. They may have only a remote idea of the function of a board of directors, but generally they have a reasonable concept of the manager's role in running the business. But they as well as an employee understands that business is run primarily for profit.

After establishing the class' present level of understanding and experience, the module may be introduced by asking the students by what means

the manager or the board of directors can tell if a business is being properly conducted. The response will probably have something to do with "records" permitting the teacher to follow with the question, "What are some of the records a business needs to keep accurately to provide complete information on its daily transactions?" These may be listed on the chalkboard and should include the following:

1. The sales slip showing a complete record of the cash and charge sales made

2. Records of merchandise purchases made and expenses incidental to securing merchandise

3. Inventory records showing the type and amount of goods on hand

4. Records of merchandise to be received and records from transportation companies

5. A balance sheet or profit and loss statement portraying the financial condition of the entire business including the weaknesses or "leaks"

Students may be introduced to the breadth of the module at this point by posing questions pertaining to pricing, credit, etc., such as those below:

1. Ask the students what a company must consider in deciding on the price to charge for its products.

2. Ask the students how a company decides how much and what kind of credit to give to patrons.

However, care must be exercised that the questions are used only as "attention" or "interest-getters" and are not frustrating to the students because of their lack of knowledge. After all, the purpose of the module is to provide the student knowledge and understanding. It may be necessary for the teacher to supply answers to some of the questions he asks during his introduction, if it is apparent that the class does not know the answer. Often asking a related question which the students can answer will trigger an answer to the first question. Rather than take too long during the introduction to secure the proper response from the class, the teacher should supply the answer explaining that this is something with which they will become familiar later.

Have an employee of a business selling to farmers come to the class. Ask the employee to explain specific duties he has in carrying out necessary business procedures.

Although in their occupational experience high school students may not have had much responsibility as far as business procedure is concerned, they should understand the procedure and its importance. The specific phases of business procedures that will be considered in this modules are:

1. Use of sales tickets
2. Use of credit--credit policies
3. Determiniation of selling price
4. Use of business forms
5. Taking an inventory
6. Ordering merchandise (not in detail because students will ordinarily not be responsible for this operation)
7. Receiving merchandise
8. Stocking merchandise
9. Summary records of the entire business

Explain to the students that this module should help them to understand better the business part of the organization in which they are employed. It should also acquaint them with some basic record transactions and jobs related to proper business procedures.

Competencies to be Developed

I. To understand the importance of complete and accurate records in the conduct of business

Teacher Preparation

Subject Matter Content

People are somewhat familiar with the sales ticket and some of the other ordinary papers used in conducting business. These papers and procedures are so important in helping to make an operation successful that they need considerable attention.

To understand the importance of these items, an overview of the entire records of a business is necessary. Management of a business, to be successful, needs records of the business as a whole, and of each department, in order to:

1. Know the financial picture of the business at any given time.

2. Give proper information to board of directors, stockholders, and others involved.

3. Satisfy legal requirements.

4. Plan desirable changes in management and procedures.

5. Prepare state and federal tax returns.

One record needed by management is an "operating statement." It is sometimes called a "statement of operations" or a "profit and loss statement." These are prepared either annually, bienally, quarterly, or monthly, whichever is desired. The operating statement summarizes the receipts and expenses for a given period of time and shows the profit or loss for that period. Many businesses have this statement broken down by departments in order to ascertain the profit or loss of each department.

The other standard overall record used by businesses is the "balance sheet." The balance shows the financial condition of the business at a given time, but generally on the last day of the period covered by the operating statement. The balance sheet lists the assets, liabilities, and net worth of the business. The liabilities and net worth show the methods of obtaining capital for the business. The sum of the liabilities and net worth must "balance" with the assets of the business at any given time.

The balance sheet and the operating statement make up the financial report for a business. (Note attached sample forms.)

The daily, weekly and monthly records all help contribute to the final make-up of the "balance sheet" and "operating statement."

A record of "cash sales" for the period desired (day, week, month, or quarter) must be secured. In addition, the cash register must be balanced daily to be sure that all cash is accounted for and that all records are correct.

"Charge sales" must be correctly made and entered in appropriate ledgers, according to the policies of the particular business.

Records must be made of all "merchandise purchases," including the cost of transportation and other incidental expenses.

Periodic records of "stocks and inventories" must be made, both for knowing the business' financial condition, and also for determining stock needs and sales.

In addition to those items directly concerned with sales, the costs of payroll, property expense taxes, supplies, services, advertising, interest, depreciation, losses and legal costs must be paid before any profit is returned to the business.

SAMPLE STATEMENT OF OPERATIONS

FOR YEAR ENDED DECEMBER 31, 1964

SALES		$1,562,702.44
Less Cost of Commodities Sold		1,478,914.33
Gross Selling Margin		$ 83,788.41
OTHER REVENUE		
Grinding, Cleaning, etc.	$ 8,701.31	
Storage and Handling	10,893.03	
Dividends, Patronage Refunds, etc.	665.41	
Total		$ 20,259.75
GROSS MARGIN		$ 104,048.16
EXPENSES		
Salaries and Wages	$40,247.18	
Heat, Power and Water	4,597.79	
Plant Repairs and Maintenance	3,737.88	
Insurance	3,942.74	
Interest	31.70	
Telephone	728.43	
Taxes	7,417.40	
Advertising	1,787.00	
Depreciation	12,116.40	
All Other Expenses	3,710.15	
Total		$ 78,316.67
NET MARGIN		25,731.49
DISTRIBUTION OF NET MARGIN		
Provision for Dividend on Capital Stock--4%	$ 2,272.00	
Patronage Refund to Stockholders--2 and 1½%	21,680.17	
Provision for Federal Income Tax	254.64	
Balance of Net Margin Retained	1,524.68	
Total	$25,731.49	

SAMPLE BALANCE SHEET, DECEMBER 31, 1964

ASSETS

CURRENT ASSETS:			
Cash on hand and in bank		$ 28,173.70	
Accounts Receivable -- Patrons	$ 26,060.54		
Less Allowance for Doubtful Accounts	2,302.20	23,758.34	
Accounts Receivable -- Grain Firms		3,787.41	
Inventories		42,016.76	
Prepaid Items		6,319.38	
Total Current Assets			$104,055.59
INVESTMENTS:			
Stock, Bonds and Credits in Other Companies			$ 10,667.15

PLANT AND EQUIPMENT:	Cost	Accumulated Depreciation	Net
Land	$ 2,326.39	$	$ 2,326.39
Buildings	245,749.02	87,007.97	158,741.05
Machinery and Equipment	73,488.70	39,452.33	34,036.37
Furniture and Fixtures	4,538.78	3,921.09	617.69
Total	$326,102.89	$130,381.39	$195,721.50
Total Plant and Equipment -- Net			$195,721.50
TOTAL ASSETS			$310,444.24

LIABILITIES

CURRENT LIABILITIES:		
Accounts Payable -- Trade and Others	$ 15,649.42	
Federal Income Tax Payable	254.64	
Dividends Payable on Capital Stock	2,272.00	
Patronage Refunds Payable for Year 1964	21,624.51	
Employees' Taxes Withheld	554.72	
Accrued Salaries, Property and Payroll Taxes	8,522.75	
Total Current Liabilities		$ 48,878.04
STOCKHOLDERS' EQUITY:		
Capital Stock Authorized, 750 Shares Par Value $100.00, 641½ Shares Issued Including 73½ Shares of Treasury Stock Outstanding. 568 Shares	$ 56,800.00	
Additional Paid-In Capital	4,132.00	
Retained Earnings	200,634.20	
Total Stockholders' Equity		$261,566.20
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$310,444.24

The extent to which an employee is able to increase the sales and to reduce expenses is his value to this business.

Suggested Teaching-Learning Activities

1. Introduce some representative operating statements and balance sheets for the class to discuss. Attempt to get a general picture of the soundness of the business from these statements.

2. Have the class suggest things that an employee might do to improve the business situation.

3. Evaluate the students on their understanding of such terms as:

Accounts payable	Gross margin
Accounts receivable	Indirect expenses
Assets	Liabilities
Book inventory	Net profit
Depreciation	Net worth
Direct expenses	Inventory
Equity	

4. Help students understand how these terms relate to the business in which he is employed.

5. Take the class to a local agricultural business. Ask the manager to explain and show examples of operating statements, balance sheets, inventory statements, and similar forms.

6. Have the bookkeeping teacher or a local accountant visit the class to answer questions the students may have.

Suggested Instructional Materials and References

Instructional materials

1. Copies of balance sheets of local businesses.

2. Copies of operating statements from local businesses. (Cooperatives will share freely in the use of their balance sheets and operating statements. However, these may be difficult or impossible to secure from other businesses.)

References

T*1. Retail Merchandising, pp. 552-562.

T 2. Managing for Greater Returns, pp. 162-166.

*The symbol T (teacher) or S (student) denotes those references designed especially for the teacher or for the student.

II. To properly complete sales tickets and make change for purchases in agricultural businesses

Teacher Preparation

Subject Matter Content

The heart of the accounting system is the billing of merchandise to customers. This is necessary to provide accurate records of transactions. Many businesses have triplicate sales tickets, one for the customer and two for the office files. Sales tickets need to be numbered consecutively in advance for filing and checking purposes and to avoid loss of merchandise through carelessness. Sales tickets will provide the company with the following:

1. Information necessary to make an analysis of the day's business
   a. Amount of cash taken in. This also serves as a check on the cash that should be in the cash register at the close of the day's business.
   b. The amount of merchandise sold
   c. The amount of sales tax collected
2. Information needed for the accounts receivable ledger for the customers who charged their purchases
3. A record of each transaction for future reference. After the information contained on the sales ticket has been recorded in the proper journals, the two copies should be filed as follows:

a. One in a numerical file. Since all sales tickets are accounted for in this file a sales person cannot accept cash from a customer, prepare a sales ticket, give the customer his copy, destroy the office copies and keep the money.

b. One in a client file. This will serve as a record of the customers' business.

Many factors are important in the preparation of the sales ticket:

1. In spite of the importance of sales tickets, many mistakes are made in their use. Some common mistakes are as follows: (Use examples to show how important common mistakes are to the net profit of a business, e.g., how much more is needed in sales to make up for an order for a ton of feed not filled.)

   a. The ticket cannot be read.

   b. Some merchandise is not billed when sold.

   c. Price list and discount policies are not followed.

   d. Mistakes in arithmetic

   e. Employees do not keep all of their sales tickets.

2. Although each business will have its own procedure for completing sales tickets, the following shows one procedure to follow in making out a sales ticket correctly: (A sample sales ticket is included.)

   a. Enter the correct date.

   b. Write the customer's correct name and address. If a partnership, it should be noted. The name and address becomes absolutely necessary if the purchase is charged.

   c. Give a complete description of each article sold. Quantity and unit should be thought of as one item (for example, 100 lbs. of fertilizer or 10 gals. of insecticide).
   The description should clearly designate the type of merchandise being sold, and not merely be a commodity classification. For example 100# calf manna, not 100# feed. (On sales tickets, pounds are usually indicated by #.) This is necessary for

checking price and for inventory controls. Show the price per unit for all merchandise. (Some sales tickets will have a column heading marked "price.") Bill all merchandise at the retail price. If the customer is entitled to a discount because of volume, damage, etc., this amount is deducted from the retail price. Extensions must be mathematically accurate and legibly written.

d. Make a sub-total of the extension.

e. Calculate the sales tax on all taxable items, and enter under the first total. (Sales tax policies will vary according to state laws.)

f. Next, calculate any delivery, mixing, grinding, or shelling charges, and enter under the sales tax calculations.

g. Add the extension column to obtain the grand total of charges for the sale.

h. Check the block on the ticket to indicate the method of payment (cash, check, charge, returned, account).

i. If settlement is to be made by a check larger than the ticket total, it is necessary to note both the amount of the check on the face of the sales ticket, and the change to be given. A similar calculation is recommended when a large bill is given in payment.

j. Get the signature of the person receiving the merchandise when the settlement is other than cash.

k. When a customer pays on account, make out a sales ticket and mark the items for which he is paying (for example, fertilizer, feed, balance on note, etc.).

l. In all cases where an employee ruins a ticket for any reason, the word "void" should be written across the front of the ticket, and the original placed with the other tickets. Sales tickets should are numbered consecutively. Each ticket must be accounted for at the end of the day's business.

m. The salesman initials the ticket in the appropriate block.

Properly prepared sales tickets giving full information about the transaction provide the manager with the information he needs in conducting the business. Sales tickets may prevent many misunderstandings with customers when a transaction is questioned.

SAMPLE FARM SUPPLY COMPANY
Farmerton, Ohio

January 14 1964 — a

Sold To John Jones & Sons — b

Address Farmerton, Ohio

Quantity	Description	Price	Amount	
200	100# Bags 32% Beefmaker	5.75	1150	00
c	less 5% qty. discount		-57	50
			1092	50 — d
c				
1000#	Grinding	.15	150	00 — f
1	Corn popper	3.25	3	25
	Sales Tax			10 — e
			1245	85 — g
i —	Check $1250.00 Purch. 1245.85			
	Change $ 4.15			

☐ Eligible ☐ Ineligible — Patronage Volume

j — Received By: John Jones Salesman: Brown — m

Cash	Check	Charge	Returned	Account	
	4				No. 47861

h

Making change following a purchase can be done accurately by using the following procedure:

1. Count from the cost of the purchase to the total amount of payment. For example, if the cost is $2.98 and a $5 bill is tendered, count "$2.99, $3.00, $4.00, $5.00."

2. Use the largest denomination of coins and bills possible in making change.

3. Positively identify the amount (e.g. $5, $10, etc.) of a bill or check and lay it on top of the cash drawer until after the change is given in order to avoid mistakes.

4. If in doubt as to the correct change, or if payment is by check, the computation should be made with pencil and paper. (See item "i" on page 11.)

5. Use a flannel board and proportionately enlarged coins and bills to bring the class into a discussion and demonstration on the change-making process.

Suggested Teaching-Learning Activities

1. List the different items ordinarily used on a sales ticket. Ask the class the purpose of each item. Demonstrate acceptable ways of entering these items on sales tickets.

2. Set up a practice situation in which ten or more sales tickets are completed by each student. Use tickets which demonstrate various methods of completing tickets. Emphasize the importance of consecutively numbering sales tickets.

3. Set up a sales situation in the school practice store, using bought or borrowed materials commonly sold. Have students complete sales transactions, filling out the sales tickets and making change for the purchases. Begin with a demonstration by students in front of the class and conduct critiques on procedures.

4. Use examples of sales tickets from different business firms, noting similarities and differences.

5. Prepare a file of examples of customer misunderstandings, sale losses, ill-will, and inventory mistakes caused by poorly executed sales tickets. Local agricultural businesses can provide these materials.

6. Show similarity between business records, former account books, and project records kept by students on production enterprises.

7. Have the students practice filling out sales tickets from telephone orders. Use the telephone training kits available through the local telephone company. Have students critique the practice session.

Suggested Instructional Materials and References

Instructional materials

1. Copies of sales tickets for practice use by students

2. Sales registers and ticketed distribution boxes add realism to the practice work and may be borrowed or purchased.

Reference

Merchandising Products Used in Farm Business, pp. 27-30.

Suggested Occupational Experience

Each student should complete accurately several cash and charge sales. He should use the sales ticket and make proper change for the customer.

II. To understand the importance and use of credit in an agricultural business

Teacher Preparation

Subject Matter Content

The capital required to finance modern farming operations is so great that most farmers must either borrow money to pay for their purchases, or charge their purchases, making use of credit plans made available by businesses.

Credit is a very useful tool in conducting business. A vast majority of business done anywhere in the world proceeds with little transfer of actual cash. The retailer buys from the wholesaler or the distributor on credit just as the farmer buys

on credit from the farm supply store. Limit the amount of time spent at this point, exploring the ramifications of credit and credit instruments for the students preparing to be retail salespersons.

Credit may be extended for only a short time (30 days or less, the same as cash) in which case the business establishment may do the financing. Credit may be extended for several months or longer, in which case a credit institution such as a bank or loan association will usually finance the purchase. Large amounts are secured by credit instruments such as commodity notes and mortgages.

Each business will establish credit policies. These policies will state the conditions under which credit will be extended, the maximum credit to be allowed, and the payment plans and penalties.

Suggested Teaching-Learning Activities

1. Each teacher should, to the best of his ability, develop the students' understanding of:

   a. Why customers use credit

   b. Why business firms offer credit

   c. What is considered in determining credit rating. The discussion may center around credit advanced by a business firm to a customer. This is a good time to impress upon the students the importance of their developing a good credit rating. Include suggestions on how this may be accomplished.

2. Help students understand the forms used in credit transactions (checks, bills of sale, notes, mortgages, warehouse receipts, etc.).

3. Review the credit policies of a business in which various boys are employed. Decide why the policy is used in each case. Be tactful in not revealing any "trade secrets" or putting any single farm in a bad light, but use specific examples whenever possible.

4. Use examples of "time payment purchases" to compute the actual interest charge on the purchases. Compare interest charges used by banks and loan associations.

5. Help students understand the credit policies of the businesses where they are employed. (Ask each student to secure a copy of his employer's credit policy if one is available.)

6. Identify the types of credit extended by the businesses, the interest charges, and payment plans. (Clerks in stores cannot issue credit on their own initiative.)

7. Discuss fully the long-range credit plans used by the businesses.

8. Collection policies on overdue bills are determined by managers and boards of directors, but salespersons should be trained and develop experience in collecting overdue bills.

9. A class demonstration or role-play concerning how a salesperson should handle a customer with no credit or bad credit might be useful.

10. Develop with the students a display chart showing the months when the average local farmer's income is low; a time when he may not have enough cash to pay for his needs. Another chart can be used to indicate the months of greatest expenditure. If there are several types of farming represented in the community, a series of charts or a composite chart can be made to indicate the probable seasons of peak demands for credit on a farm supply store.

Suggested Instructional Materials and References

Instructional materials

1. Credit policies from local merchants. (Use fictitious names, if mimeographed.)

2. Materials on agricultural financing are available from regional offices of Federal Land Banks.

References

1. Farm and Personal Finance, chapters 5 and 8.

2. Managing for Greater Returns, chapter 20.

Suggested Occupational Experience

Have the student assist a customer or observe the manager and customer conduct a credit transaction at his training station.

IV. To understand how the selling price of products is determined

Teacher Preparation

Subject Matter Content

The original cost of merchandise is the actual purchase price, including the cost of transportation. The selling price must include the original cost plus merchandising costs, overhead costs, and a reasonable profit.

The overhead costs may reflect some, or all, of the following conditions:

1. Merchandise may become obsolete before sold.
2. Merchandise becomes shop-worn.
3. Some merchandise will be overstocked and will not sell.
4. The price of merchandise may drop before the stock is sold.
5. Interest on investment in inventory items
6. Insurance on inventory items
7. The cost of warehousing the merchandise
8. Freight costs
9. Taxes on the merchandise carried in inventory
10. Theft of merchandise
11. Shrinkage of merchandise
12. Damage to merchandise in stock
13. Wages and salaries
14. Office and accounting expenses

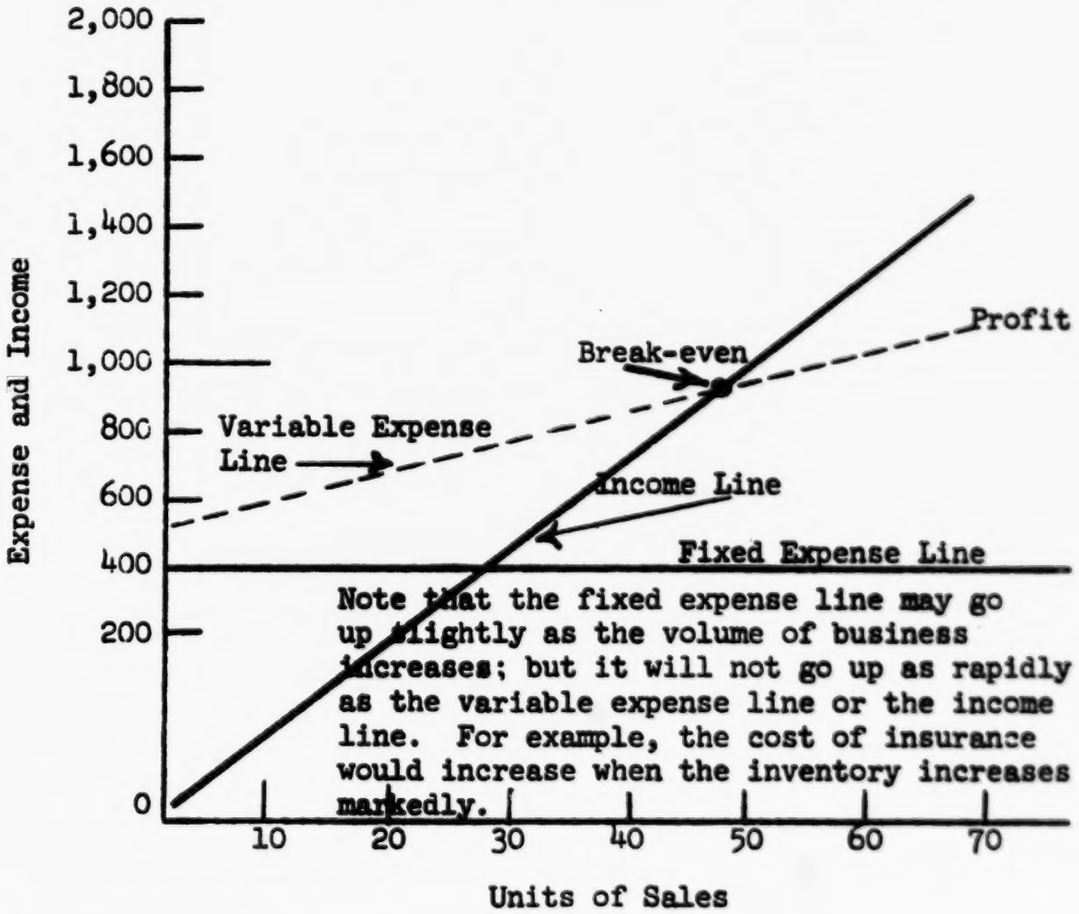
Overhead costs may be grouped into areas of fixed costs (insurance, interest, taxes, etc.) which will be constant per $1,000 of inventory, and variable costs (raw materials, product containers, packaging materials, etc.) which change according to volume of business done, and the expenses of doing this business.

Some companies may find the annual cost of keeping items in stock as low as 10% of value while other companies may need an increase in cost of 15% or more in order to pay the expense of just keeping stock on hand.

In addition to overhead costs, some companies may provide free services to their customers. Services like mixing or spreading fertilizers will also increase the costs of doing business.

A graph may help explain to the students the need for increasing the volume of business in order to cover both fixed and variable expenses and make a profit:

BREAK-EVEN CHART



The merchant must determine a selling price for his products that is high enough to cover the cost of the item, overhead expenses, service costs, and allow a reasonable profit.

There are two terms used to describe the difference between the merchant's cost of an item and his selling price.

1. "Markup" The amount added to the cost to make the selling price. As a percentage, it is the relation of the amount of markup to the cost. For example,

Cost		Markup		Selling Price
20	+	5	=	$25

The markup is 25% of the cost.

Example:		
Merchant purchases vegetable dust		$1.00
Merchant prices vegetable dust at		1.25
Cash markup.....		.25
Percent markup.....		

$$\frac{\text{Cash markup}}{\text{Purchase price}} = \frac{.25}{1.25} = 25\%$$

2. "Gross margin" Is determined by dividing the markup by the selling price.

Example:		
Merchant purchases vegetable dust from wholesaler for.....		$1.00
Merchant prices vegetable dust at		1.25
Cash markup.....		.25
Percent gross margin		

$$\frac{\text{Cash markup}}{\text{Selling price}} = \frac{.25}{1.25} = 20\%$$

Markup and gross margin are often confused. They are always the same in dollars and cents; but never the same in percentage because markup is figured on cost and margin on selling price.

Examples of the gross margins and markups used by one farm supply business to cover their expenses and to secure a reasonable profit is as follows:

	Percent Gross Margin	Percent Markup
Fertilizer	12.0%	13.6%
Grain	6.0%	6.4%
Commercial Feed	18.0%	22.0%
Hardware	33.3%	50.0%

A rule of thumb that may be used to determine gross margin is as follows: In order to make a large enough profit to remain in business, the number of times an item turns over in stock during the year times the gross margin should equal 100.

Example: Refer to the vegetable dust used in the illustration for markup and gross margin.

Vegetable dust turnover 5 times in stock during the year.

$5 \times X \text{ (gross margin)} = 100$

$5X = 100$

$X = 20\%$ gross margin

The suggested turnover goals for one business are as follows:

Feed..... 15	Seed.....8-10	Farm equipment.....3
Fence..... 4	Oil & grease.... 4	Building material.....4
Paint..... 4	Tires & tubes... 4	Electrical merchandise.4
Hardware... 3	Miscellaneous	Farm supplies,
Machinery.. 4	merchandise.. 4	general.....4

Suggested Teaching-Learning Activities

1. Visit an agricultural business establishment to visualize and list the additional costs needed to present products for sale. Ask the store manager to explain the prices received by the manufacturer, wholesaler, or other retailer.

2. Determine wholesale costs and retail prices of several products. Compute the gross margin and markup on these products.

3. Calculate gross margin and markup percent needed for specific items such as feed and seed.

4. Determine the procedures used by the students' employers to arrive at selling price.

5. Secure a bill of lading or invoice and take two or three cases of the item to the classroom for students to figure markup and stamp or mark selling price on each container. Have students from the co-op training store check before placing on shelf at store.

Suggested References

1. Managing for Greater Returns, pp. 288-291.

2. Merchandising Products Used in the Farm Business, pp. 17-19.

3. Guides for Profit Planning.

Suggested Occupational Experiences

1. Determine and list the various merchandising costs in the business where employed.

2. Have the student determine the markup for specific products sold in the business where employed.

V. To understand the use of business forms for ordering and receiving merchandise

Teacher Preparation

Subject Matter Content

In purchasing and receiving merchandise in a business, the following are typical procedures and business forms used:

1. A decision is made on the type, amount, and cost of merchandise to be ordered, and the company from which it is to be ordered. Then, a "purchase order" is completed.

2. A purchase order is completed.

3. Company policy usually assigns the responsibility in ordering merchandise to specific employees. Duplicate records or purchase orders are kept in order to check them against the materials, the invoice, and bill of

lading when merchandise is received. Note specifically on the sample purchase order the complete items, including the company's order number.

4. When the shipment is received, a "receiving record" or "receiving report" are typical forms used to record the receipt of merchandise. Other similar records may be used.

5. The receiving record must be a complete record of the merchandise received, including its condition when received. (Note sample form included.) The primary use of a receiving record is to check incoming merchandise against invoices and bills of lading.

6. Commercial carriers, such as railroads and trucking companies, will charge for hauling the products from the originating point to the delivery point. Prior to placing the order, an agreement should be made on who pays the delivery charges, the shipper or the receiver. Freight may be prepaid or sent C.O.D.

7. Forms used by the carriers are called "bills of lading" or "shipping records." An employee should know how to receive merchandise. He should understand the forms used.

8. The final business form to be considered in the ordering and receipt of merchandise is the "invoice." An invoice is a bill or statement due a company for merchandise delivered. (Note sample form included.) Since the payment for goods is made from the invoice, it must be accurate. The invoice should be checked against all previous papers--the purchase order, the receiving record, and the bill of lading. All businesses have an established policy as to the checking of invoices for payment. The discount terms must appear on the invoice and be used in computing the amount to be paid.

Suggested Teaching-Learning Activities

1. Conduct a class field trip to a local merchandise establishment to have the business records explained.

2. Using a typical commodity in a local place of business, have students fill in forms to complete purchase orders, receiving records, bills of lading and invoices. School supply or other catalogs may be used to secure information on assumed purchases.

3. Make sure the students can read and understand bills of lading or invoices so that they will not allow an error to unchallenged when they check in an order. Test by checking school supplies as delivered.

Suggested Instructional Materials and References

Instructional materials

Copies of purchase orders, receiving records, bills of lading, and invoices from local agricultural businesses.

References

1. Merchandising Products Used in the Farm Business.
2. Retail Merchandising, pp. 279-289.

Suggested Occupational Experiences

1. Have the student prepare a purchase order for merchandise.
2. Have the student prepare receiving records.
3. Have the student process bills of lading until he becomes proficient.
4. Have the student check invoices for correctness before payment is made.
5. Write a report on procedure followed in the proper use of business forms in the company where you are employed.

VI. To develop an ability to take an inventory of stock accurately

Teacher Preparation

Subject Matter Content

An inventory is a correct count of a concern's merchandise, including its value. An inventory is necessary for several reasons:

1. An accurate account of value is necessary for year-end or periodic analysis of the business.

2. Periodic merchandise counts enable the business to determine the freshness of its stocks, and to decide whether some items are obsolete.

3. Inventory counts will show the extent to which items are moving. They will show whether items are overstocked or understocked.

4. Physical count inventories are necessary to determine possible losses. (These are different than book inventories.)

Businesses will use inventories in additional ways. "Inventory control" is a system of keeping on hand adequate amounts of any given merchandise. A business needs to be sure that the customers' needs are met, but does not want to have surplus, outdated merchandise on hand which frequently may be in poor condition.

There are several types of inventories:

1. Perpetual inventories

   Many businesses have some or all of their stock listed so that they know at any given time the number of items of merchandise on hand. This is done by systematically adding the purchases to the inventory, and by subtracting the sales taken from the daily sales slips or totals which are then subtracted from these inventories. This results in maintaining a "book" inventory level as purchases and sales are made. To be sure it is correct, periodic physical counts must be made and checked against the perpetual inventory.

2. Physical inventory

   The physical inventory is an actual count of all merchandise on hand at a given time. This must be done at the end of the fiscal year, and is of considerable value at other times during the year. Procedures in making the count will vary but will include many or all of the following procedures:

   a. Arrange stock in an orderly fashion.

   b. Check stock for condition; count only that which is salable.

c. Count and record every item, listing the cost price unless the particular business prefers that the selling price be used.

d. Keep inventories separate for different departments and types of goods.

e. Compute totals.

Businesses will have special forms used for taking the inventory. These forms may include:

1. Location of merchandise
2. Department to which merchandise is charged
3. Names of persons taking the inventory
4. Information concerning age and/or quality of merchandise.

Suggested Teaching-Learning Activities

1. If possible, locate a business in which perpetual inventories are kept. Study the system they use in maintaining this inventory record. Conduct a field trip to observe inventory procedures at a local store.
2. Conduct an inventory of shop tools, books, supplies and other school equipment. Emphasize meticulous accuracy in nomenclature and size. Write legibly.
3. Have each student inventory the equipment and furniture in at least one room in his home.
4. Have students determine what types of inventories are kept in the business where they are employed.
5. Have students determine what physical inventories are taken in their place of employment, and when they are taken.
6. Have students ascertain the fiscal year of the business in which they are employed.

Suggested References

1. Retailing Management, pp. 310-311.

2. Managing for Greater Returns, p. 492.

3. Retail Merchandising, pp. 538-541.

Suggested Occupational Experience

Have students conduct or aid a business in conducting a physical inventory. This may be in only one department or for only one type of merchandise for which there is a current need for an inventory count. This may be after school or on Saturday on a non-pay status if necessary.

VII. To develop the ability to receive and store merchandise properly

Teacher Preparation

Subject Matter Content

One of the important functions of any agricultural business is the receipt and storing of merchandise. To properly receive merchandise, whether it be feed, fertilizer, chemicals or miscellaneous merchandise, several steps must be followed:

1. A definite plan must be used in unloading, moving, and storing items. This involves consideration of who does the work, how various types of merchandise must be handled (by hand, fork lift, etc.), and how and where it is to be stored.

2. Damage or breakage must be determined as the unloading proceeds. Both damage and breakage must be noted on the receiving form. Damaged merchandise must be destroyed, returned, or kept and sold at a reduced price. The person in charge should determine, at the time of unloading, whether there is any shortage.

3. The possibility of shortage must always be checked by exact count or weight at the time of receiving the merchandise. The quantity of goods received must always agree with the goods signed for on the bill of lading, or other shipment record.

4. Policies vary on checking goods against the invoice to check against substitutions. Invoices may be with the goods or they may arrive before the goods. Emphasize

the importance of determining whether or not the merchandise received is in accord with the purchase order before signing the delivery slip. Many businesses will use a duplicate copy of their purchase order to check against merchandise received.

5. The quality of the merchandise, insofar as it can be determined by visual examination or by approved testing procedures, should be checked at the time of arrival. Quality must be checked against what was ordered to be sure it meets the standards specified in the order.

6. The employee who receives the merchandise will usually sign for it. He will also complete a receiving report for his business. Note on the receiving report form the fact that accurate count, condition of merchandise, description of merchandise as well as other pertinent facts, are listed. (Secure a copy of a receiving report from a local business concern, to use as an example.)

Suggested Teaching-Learning Activities

1. Give the class several assumed situations concerning the receipt of merchandise by a business. Assume certain flaws in the merchandise. Have the students complete receipt forms.

2. Conduct a field trip to an agricultural business at a time when merchandise is being received. Have the class observe and report on procedures.

Suggested References

1. Retail Merchandising, pp. 283-285.

2. Retail Management, pp. 502-504.

3. Policy manuals of local agricultural businesses.

Suggested Occupational Experiences

1. Receive and store several items of merchandise in store where employed, including the signing for merchandise and completion of receiving report.

2. Study and report on safety precautions to be followed in handling merchandise received.

3. Study and follow procedures for unloading different types of merchandise in business where employed. Explain reasons for handling the various types of merchandise differently.

4. Learn the general plan for storing merchandise in the company where employed. Understand the plan used for storage immediately after unloading. Also know the procedures for opening, inspecting, storing, and displaying merchandise.

5. Develop techniques in storing merchandise to avoid deterioration.

VIII. To understand the need for stock control policies and to be able to keep the business stocked properly

Teacher Preparation

Subject Matter Content

Businesses have numerous decisions to make in determining the quantity of any certain item to order. The quality of stock and time to order are also important. Some factors which businesses must keep in mind in ordering supplies are:

1. Will this merchandise have a slow or fast turnover?

2. Will it keep if some remains unsold?

3. What will be the probable demand for this product this year or this season?

4. When will the demand come?

5. How long will it take to get replacement merchandise?

6. How much money may we have tied up in inventory stock?

7. Where can we secure quality merchandise at the lowest cost?

Although only certain employees will have the responsibility of ordering stock, all employees must be responsible for calling attention to low stocks and for keeping the stock neat and orderly.

An employee should know the exact location of merchandise. He should have a good working knowledge of the amount of a product on hand at a given time in relation to the probable demand.

Suggested Teaching-Learning Activities

1. On a field trip to a store, observe the quantity and quality of different merchandise on hand. Ask the employee in charge of merchandise ordering what procedures he follows and what special problems he has had in stock control.

2. Write a report on a visit to a place of business. Report observations on neatness, arrangement, and orderliness, as well as the problems in stock control.

Suggested References

1. Managing for Greater Returns, pp. 484-487.

2. Retail Merchandising, pp. 338-341.

Suggested Occupational Experiences

1. Have the student stock shelves and see that all of the older merchandise is placed toward the front or where it will be moved out first.

2. Study the merchandise on hand, noting any items which may be overstocked, understocked, or in poor condition.

3. Aid in ordering merchandise, helping to complete a purchase order for the business. (Secure a copy of a purchase order from a local business concern, to use as an example.)

4. Have each student draw a diagram of the store where he is employed, indicating location of each type of merchandise.

5. Test students on their knowledge of the location of merchandise in the store where they are employed.

Suggestions for Evaluating Educational Outcomes of the Module

The following evaluation procedures may be used to determine the effectiveness of this module:

1. Test the students on their familiarity with an understanding of business records.
2. Evaluate students on their ability to complete sales tickets and make change, both in classroom and business situations.
3. Test students on their understanding of credit principles and on their ability to make interest calculations.
4. Test students on their understanding of price determinations and the understanding of profit needs in a business.
5. Evaluate students on their familiarity with purchase orders, receiving records, bills of lading and invoices.
6. Observe and evaluate students' ability to inventory stock, both in classroom and on-the-job situations.
7. Observe and evaluate students' ability to receive and store merchandise.
8. Evaluate students on their attitudes and skill in properly caring for merchandise and stocking of merchandise.
9. Have students complete a record of their occupational experiences which relate to this module.
10. Ask students whether they enjoyed this module, and its related work. Was it of value to them?
11. Ask the employers whether the learning experiences in this module contributed to successful occupational experience of the student.
12. Ask the students and their employers how this module could be improved.

Sources of Suggested Instructional Materials and References

Instructional materials

1. Materials on agricultural financing available from regional offices of Federal Land Banks

2. Copies of balance sheets of local businesses

3. Credit policies from local merchants

4. Copies of operating statements from local businesses

5. Copies of purchase orders, receiving records, bills of lading, and invoices from local agricultural businesses

6. Borrowed or purchased sales registers and ticketed distributions

7. Copies of sales tickets for practice use by students

References

1. Brake, Beer, Kelsey, Hill, Nielson and Wirth. Farm and Personal Finance, Michigan State University Press, East Lansing, Michigan.

2. Crabbe and Enterline. General Business. Cincinnati: Southwestern Publishing Company.

3. Phillips. Managing for Greater Returns. Manhattan, Kansas: Agri-Research, Inc.

4. Wingate and Weiner. Retail Merchandising, 628 pp. Cincinnati: Southwestern Publishing Company.

5. Woelfel. Guides for Profit Planning, Small Business Administration, Superintendent of Documents, U.S. Government Printing Office, Washington, D. C.

6. Merchandising Products Used in the Farm Business, Vocational Agriculture Instructional Materials, The Ohio State University, 2120 Fyffe Road, Columbus, Ohio, 43210. 62 pp.

7. Policy manuals of local agricultural businesses.

THE CENTER FOR RESEARCH AND LEADERSHIP DEVELOPMENT
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INSTRUCTOR NOTE: As soon as you have completed teaching each module, please record your reaction on this form and return to the above address.

1. Instructor's Name_____

2. Name of school_____State_____

3. Course outline used: _____Agriculture Supply--Sales and Service Occupations
_____Ornamental Horticulture--Service Occupations
_____Agricultural Machinery--Service Occupations

4. Name of module evaluated in this report_____

5. To what group (age and/or class description) was this material presented?____
_____

6. How many students:
a) Were enrolled in class (total) _____
b) Participated in studying this module _____
c) Participated in a related occupational work experience program while you taught this module _____

7. Actual time spent teaching module:

		Recommended time if you were to teach the module again:
_____hours	Classroom Instruction	_____hours
_____hours	Laboratory Experience	_____hours
_____hours	Occupational Experience (Average time for each student participating)	_____hours
_____hours	Total time	_____hours

(RESPOND TO THE FOLLOWING STATEMENTS WITH A CHECK (✓) ALONG THE LINE TO INDICATE YOUR BEST ESTIMATE.)

	VERY APPROPRIATE	NOT APPROPRIATE
8. The suggested time allotments given with this module were:		
9. The suggestions for introducing this module were:		
10. The suggested competencies to be developed were:		
11. For your particular class situation, the level of subject matter content was:		
12. The Suggested Teaching-Learning Activities were:		
13. The Suggested Instructional Materials and References were:		
14. The Suggested Occupational Experiences were:		

(OVER)

15. Was the subject matter content sufficiently detailed to enable you to develop the desired degree of competency in the student? Yes_____No_____
Comments:

16. Was the subject matter content directly related to the type of occupational experience the student received? Yes_____No_____
Comments:

17. List any subject matter items which should be added or deleted:

18. List any additional instructional materials and references which you used or think appropriate:

19. List any additional Teaching-Learning Activities which you feel were particularly successful:

20. List any additional Occupational Work Experiences you used or feel appropriate:

21. What do you see as the major strength of this module?

22. What do you see as the major weakness of this module?

23. Other comments concerning this module:

_____ _____
(Date) (Instructor's Signature)

_____
(School Address)